

**PARAGONAH TOWN**  
**FINANCIAL STATEMENTS**  
**and**  
**SUPPLEMENTARY INFORMATION**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED JUNE 30, 2006**

# PARAGONAH TOWN, UTAH

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# PARAGONAH TOWN, UTAH

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## FINANCIAL SECTION

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Honorable Town Council  
Paragonah Town  
Paragonah, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paragonah Town, Utah as of and for the year ended June 30, 2006 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

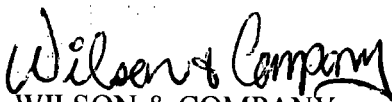
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paragonah Town, Utah as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2006, on our consideration of Paragonah Town, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paragonah Town, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Paragonah Town, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
WILSON & COMPANY  
Certified Public Accountants

December 6, 2006  
Cedar City, Utah

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Paragonah Town (Town) financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

### Financial Highlights

The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,086,243 (*net assets*). Of this amount, \$532,295 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$50,653. The revenues met or exceeded the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.

At the close of the current year, the Town government funds reported combined ending fund balances of \$187,344, a decrease of \$52,314 in comparison with the prior year. Of this total amount, \$187,344 is available for spending at the government's discretion (*unreserved fund balance*).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Town finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways & streets, and culture and recreation. The business-type activities of the Town are water and electric services.

### **Fund financial statements**

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.



The Town adopts an annual appropriated budget for its governmental fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary funds**

The Town maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water and electric service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and electric services which are considered major funds of the Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning The Town.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### **Government-wide financial analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,086,243 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (51 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt should there be any used to acquire those assets that is still outstanding. The Town has no outstanding debt as of year end. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt, should it be incurred, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the year, the Town is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Paragonah Town's Net Assets

	Governmental Activities	Business-type Activities	Total
	2006	2006	2006
Current & other assets	\$ 240,244	\$ 353,561	\$ 593,805
Capital asset	203,796	350,152	553,948
Total assets	444,040	703,713	1,147,753
Long-term Liabilities outstanding			
Other liabilities	52,900	8,610	61,510
Total liabilities	52,900	8,610	61,510
Net assets:			
Invested in cap. assets, net of debt	203,796	350,152	553,948
Unrestricted	187,344	344,951	532,295
Total net assets	\$ 391,140	\$ 695,103	\$ 1,086,243

## Changes in Paragonah Town's Net Assets

	Governmental Activities	Business-type Activities	Total
	2006	2006	2006
<b>Revenues:</b>			
<b>Program revenues</b>			
Charges for services	\$ 66,704	\$ 230,953	\$ 297,657
Operating grants and contributions	113,850		113,850
Capital Grants	18,998		18,998
<b>General revenues</b>			
Property taxes	19,171		19,171
General Sales and use taxes	46,504		46,504
Fees-in-lieu of taxes	5,095		5,095
Earnings on investments	4,649	7,613	12,262
Impact fees		2,000	2,000
Connection Fees		11,237	11,237
Miscellaneous	12,141		12,141
Transfers In		80,000	80,000
<b>Total revenues</b>	<u>287,112</u>	<u>331,803</u>	<u>618,915</u>
<b>Expenses:</b>			
General government	103,074		103,074
Highways & streets	35,667		35,667
Public Safety	114,594		114,594
Culture & recreation	2,603		2,603
Cemetery	26,515		26,515
Water fund		49,753	49,753
Electric Fund		156,056	156,056
Transfers Out	80,000		80,000
<b>Total expenses</b>	<u>362,453</u>	<u>205,809</u>	<u>568,262</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (75,341)</u>	<u>\$ 125,994</u>	<u>\$ 50,653</u>

### Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

## **Governmental funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current year, unreserved fund balance of the general fund was \$117,180, which is the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

## **Proprietary funds**

The Town's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water service fund at the end of the year amounted to \$106,462 and for the electric fund was \$238,489.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of \$18,666 can be briefly summarized as follows:

\$3,300 decrease in general government

\$1,900 increase in highway and streets

\$61,562 increase in public safety

\$ 1,086 increase in cemetery

During the year, actual revenues were more than budgeted revenues by \$16,730, and actual expenditures were less than budgeted expenditures by \$10,271.

## **Capital Asset and Debt Administration**

### **Capital assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$203,796 (net of accumulated depreciation). This investment in capital assets includes, buildings, and equipment.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

### **Long-term debt**

At the end of the current year, the Town had no outstanding debt.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Paragonah Town, 44 North 100 West, P.O. Box 600247, Paragonah, Utah 84760.

## **BASIC FINANCIAL STATEMENTS**

**PARAGONAH TOWN, UTAH**

**Statement of Net Assets**

June 30, 2006

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash & cash equivalents	\$ 216,868	\$ 330,170	\$ 547,038
Accounts receivable	4,915	23,391	28,306
Property tax receivable	18,461		18,461
Capital assets, net of accumulated depreciation	203,796	350,152	553,948
<b>Total assets</b>	<u>444,040</u>	<u>703,713</u>	<u>1,147,753</u>
 <b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Accounts payable	33,318	8,610	41,928
Other payables	1,121		1,121
Deferred revenue property tax	18,461		18,461
<b>Total liabilities</b>	<u>52,900</u>	<u>8,610</u>	<u>61,510</u>
 <b>Net Assets:</b>			
Invested in capital assets, net of related debt	203,796	350,152	553,948
Unrestricted	187,344	344,951	532,295
<b>Total net assets</b>	<u>\$ 391,140</u>	<u>\$ 695,103</u>	<u>\$ 1,086,243</u>

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 103,074	\$ 66,704	\$ 3,000	\$ -	\$ (33,370)
Highways & streets	35,667		35,325		(342)
Public Safety	114,594		75,525	18,998	(20,071)
Culture & recreation	2,603				(2,603)
Cemetery	26,515				(26,515)
Total governmental activities	282,453	66,704	113,850	18,998	(82,901)
Business-type activities:					
Water Fund	49,753	49,103			(650)
Electric Fund	156,056	181,850			25,794
Total business-type activities	205,809	230,953			25,144
Total government	\$ 488,262	\$ 297,657	\$ 113,850	\$ 18,998	\$ (57,757)

(Continued on page 12)



**PARAGONAH TOWN, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue from previous page	\$ (82,901)	\$ 25,144	\$ (57,757)
General revenues:			
Taxes:			
Property taxes	19,171		19,171
Fees-in-lieu of taxes	5,095		5,095
General sales and use taxes	46,504		46,504
Earnings on investments	4,649	7,613	12,262
Connection Fees		11,237	11,237
Impact fees		2,000	2,000
Miscellaneous	12,141		12,141
Operating Transfers	(80,000)	80,000	
Total general revenues and transfers	7,560	100,850	108,410
Increase in net assets	(75,341)	125,994	50,653
Net assets - beginning	466,481	569,109	1,035,590
Net assets - ending	<u>\$ 391,140</u>	<u>\$ 695,103</u>	<u>\$ 1,086,243</u>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**PARAGONAH TOWN, UTAH**

**Balance Sheet**

**Governmental Funds**

June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash & cash equivalents	\$ 146,704	\$ 70,164	\$ 216,868
Accounts receivables	4,915		4,915
Total assets	<u>\$ 151,619</u>	<u>\$ 70,164</u>	<u>\$ 221,783</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 33,318	\$ -	\$ 33,318
Sales Tax Payable	1,121		1,121
Total liabilities	<u>34,439</u>	<u>-</u>	<u>34,439</u>
<b>Fund balances:</b>			
Unreserved, undesignated	117,180	70,164	187,344
Total fund balances	<u>117,180</u>	<u>70,164</u>	<u>187,344</u>
Total liabilities and fund balances	<u>\$ 151,619</u>	<u>\$ 70,164</u>	<u>\$ 221,783</u>

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**

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Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	\$ 187,344
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$720,600 and the accumulated depreciation is \$516,804

203,796

<b>Total net assets - governmental activities</b>	<u>\$ 391,140</u>
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The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 70,770	\$ -	\$ 70,770
Interest earnings	4,649		4,649
Licenses and permits	6,194		6,194
Intergovernmental revenues	134,136		134,136
Charges for services	57,080	9,624	66,704
Miscellaneous revenues	4,660		4,660
Total revenues	<u>277,489</u>	<u>9,624</u>	<u>287,113</u>
<b>EXPENDITURES:</b>			
General government	96,448		96,448
Highways & streets	35,667		35,667
Public Safety	98,194		98,194
Culture & recreation	2,603		2,603
Cemetery	26,515		26,515
Total expenditures	<u>259,427</u>	<u>-</u>	<u>259,427</u>
Excess of revenues over (under) expenditures	<u>18,062</u>	<u>9,624</u>	<u>27,686</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in		-	-
Operating transfers out	(80,000)	-	(80,000)
Sale of fixed assets			
Total other financing sources (uses)	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(61,938)	9,624	(52,314)
FUND BALANCES JULY 1	179,118	60,540	239,658
FUND BALANCES JUNE 30	<u>\$ 117,180</u>	<u>\$ 70,164</u>	<u>\$ 187,344</u>

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances-total governmental funds</b>	<b>\$ (52,314)</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	36,954	
Depreciation expense	<u>(59,981)</u>	
		(23,027)

<b>Change in net assets of governmental activities</b>	<u><u><b>\$ (75,341)</b></u></u>
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The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Statement of Net Assets**  
**Major Proprietary Funds**  
June 30, 2006

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash & cash equivalents	\$ 101,707	\$ 228,463	\$ 330,170
Accounts receivable	6,223	17,168	23,391
Total current assets	<u>107,930</u>	<u>245,631</u>	<u>353,561</u>
Long-term assets:			
Capital assets, net of accumulated depreciation	265,310	84,842	350,152
Total long-term assets	<u>265,310</u>	<u>84,842</u>	<u>350,152</u>
Total assets	<u>373,240</u>	<u>330,473</u>	<u>703,713</u>
<b>Liabilities and Net Assets</b>			
Liabilities :			
Current liabilities:			
Accounts payable	1,468	7,142	8,610
Total current liabilities	<u>1,468</u>	<u>7,142</u>	<u>8,610</u>
Long-term liabilities:			
Total long-term liabilities			
Total liabilities	<u>1,468</u>	<u>7,142</u>	<u>8,610</u>
Net assets:			
Invested in capital assets, net of related debt	265,310	84,842	350,152
Unrestricted	106,462	238,489	344,951
Total net assets	<u>\$ 371,772</u>	<u>\$ 323,331</u>	<u>\$ 695,103</u>

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Net revenue	\$ 49,103	\$ 181,850	\$ 230,953
Total operating revenues	49,103	181,850	230,953
<b>Operating expenses:</b>			
Salaries & Employee Benefits	21,632	19,629	41,261
Materials and Supplies	10,045	6,332	16,377
Utilities	550		550
Contracted Services	1,042	1,284	2,326
Purchased Power		114,135	114,135
Insurance	5,992	3,603	9,595
Other	2,851	7,438	10,289
Depreciation	7,641	3,635	11,276
Total operating expenses	49,753	156,056	205,809
Operating income (loss)	(650)	25,794	25,144
<b>Nonoperating income:</b>			
Interest Revenue	1,335	6,278	7,613
Connection Fees	5,112	6,125	11,237
Impact Fees	2,000		2,000
Total nonoperating income	8,447	12,403	20,850
Net income (loss) before transfers	7,797	38,197	45,994
Transfer in	40,000	40,000	80,000
Change in net assets	47,797	78,197	125,994
<b>Net assets - beginning</b>	323,975	245,134	569,109
<b>Net assets - ending</b>	\$ 371,772	\$ 323,331	\$ 695,103

The notes to the financial statements are an integral part of this statement.



**PARAGONAH TOWN, UTAH**  
**Statement of Cash Flows**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 47,245	\$ 182,108	\$ 229,353
Cash payments to suppliers for goods and services	(21,514)	(145,056)	(166,570)
Cash payments to employees for services	(21,632)	(19,629)	(41,261)
Net cash provided (used) by operating activities	<u>4,099</u>	<u>17,423</u>	<u>21,522</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers from other funds	40,000	40,000	80,000
Net cash (used) by noncapital financing activities	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash received from impact fees	2,000	-	2,000
Cash received from connection fees	5,112	6,125	11,237
Net cash (used) by capital and related activities	<u>7,112</u>	<u>6,125</u>	<u>13,237</u>
<b>Cash flows from investing activities</b>			
Interest received	1,335	6,278	7,613
Net cash (used) by investing activities	<u>1,335</u>	<u>6,278</u>	<u>7,613</u>
Net increase in cash and cash equivalents	<u>52,546</u>	<u>69,826</u>	<u>122,372</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>49,161</u>	<u>158,637</u>	<u>207,798</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 101,707</u>	<u>\$ 228,463</u>	<u>\$ 330,170</u>
 Reconciliation of operating income (loss) to net net cash provided (used) by operating activities:			
Operating income (loss)	\$ (650)	\$ 25,794	\$ 25,144
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			-
Depreciation expense	7,641	3,635	11,276
Increase decrease accounts receivable	(1,858)	258	(1,600)
Increase decrease in accounts payable	(1,034)	(12,264)	(13,298)
Total adjustments	<u>4,749</u>	<u>(8,371)</u>	<u>(3,622)</u>
Net cash provided (used) by operating activities	<u>\$ 4,099</u>	<u>\$ 17,423</u>	<u>\$ 21,522</u>

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of Paragonah Town have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

**A. Reporting Entity**

For financial reporting purposes, Paragonah Town has included all funds and account groups. The Town has also considered all potential component units for which it is financially accountable and that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Based on the above criteria, the Town has no component units and is not a component unit of any other government.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C: Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Paragonah Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water distribution system.

The Electric Fund accounts for the activities of the Town's electric system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D: Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

As allowed by GASB Statement 34, the Town has elected to report infrastructure on a prospective basis.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Compensated Absences:**

The Town has a policy which allows employees to accumulate vacation pay. The Town allows vacation days to accumulate up to a maximum of 21 days for full time employees payable at termination. Sick leave may be accumulated up to a maximum of 30 days.

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations if any are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital related items:**

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cost of capital assets	\$ 720,600
Accumulated depreciation	<u>( 516,804)</u>
Total difference	<u>\$ 203,796</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 36,954
Depreciation expense	<u>( 59,981)</u>
Net difference as reported	<u>\$ ( 23,027)</u>

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax:

Iron County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**H: Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

**I: Statement of Cash Flows:**

For the purpose of the Statement of Cash Flows, the Water and Electric Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 2: CASH AND INVESTMENTS**

The Town maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

The Town's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Money Management Council. However, the Town does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Town is exposed.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

As of June 30, 2006, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 239,261
State Treasurer's investment pool	<u>307,777</u>
	<u>\$ 547,038</u>

The following paragraphs discuss the Town's exposure to various risks related to its cash management activities.

**Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$139,261 of the Town's bank balances of \$239,261 were uninsured and uncollateralized.

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk of investments. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.



**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the Town's investments at June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$ 307,777	less than 1 year	not rated

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Town's investments are noted above.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the Town's portfolio at the time of purchase.

As of year end, the Town had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 3. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Buildings & Improvement	\$ 80,538	\$	\$	\$ 80,538
Machinery & Equipment	<u>603,108</u>	<u>36,954</u>	<u></u>	<u>640,062</u>
Total capital assets, being depreciated	<u>683,646</u>	<u>36,954</u>	<u></u>	<u>720,600</u>

Accumulated depreciation for:

Building & Improvements	20,989	2,013		23,002
Machinery & Equipment	<u>435,834</u>	<u>57,968</u>	<u></u>	<u>493,802</u>
Total accumulated depreciation	<u>456,823</u>	<u>59,981</u>	<u></u>	<u>516,804</u>
Total capital assets, being depreciated, net	<u>226,823</u>	<u>(23,027)</u>	<u></u>	<u>203,796</u>
Governmental activities capital assets, net	<u>\$ 226,823</u>	<u>\$ (23,027)</u>	<u>\$</u>	<u>\$ 203,796</u>

**Business type activities:**

Capital assets, not being depreciated

Land	\$ 10,200	\$	\$	\$ 10,200
Total capital assets, not being depreciated	<u>10,200</u>	<u></u>	<u></u>	<u>10,200</u>

Capital assets, being depreciated:

Machinery & Equipment	<u>532,978</u>	<u></u>	<u></u>	<u>532,978</u>
Total capital assets, being depreciated	<u>532,978</u>	<u></u>	<u></u>	<u>532,978</u>

Accumulated depreciation for:

Machinery & Equipment	<u>181,750</u>	<u>11,276</u>	<u></u>	<u>193,026</u>
Total accumulated depreciation	<u>181,750</u>	<u>11,276</u>	<u></u>	<u>193,026</u>
Total capital assets, being depreciated, net	<u>351,228</u>	<u>(11,276)</u>	<u></u>	<u>339,952</u>
Business type activities capital assets, net	<u>\$ 361,428</u>	<u>\$ (11,276)</u>	<u>\$</u>	<u>\$ 350,152</u>

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 3. CAPITAL ASSETS - CONTINUED**

Depreciation was charged to governmental activities functions as follows:

General government	\$ 6,626
Public Safety	53,355
Total	<u>\$ 59,981</u>

**NOTE 4. DEFINED BENEFIT PENSION PLAN**

**Plan Description:** Paragonah Town, Utah contributes to the Local Governmental Noncontributory Retirement System which is part of the cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety and Firefighters Retirement Systems for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 So. Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy:** Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. Members contribute 6% to the Contributory System. Paragonah Town is required to contribute 7.08% of covered salary to the Contributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Paragonah Town, Utah contributions to the Contributory Retirement System for June 30, 2006, 2005 and 2004 were \$5,925, \$5,804 and \$4,672 respectively. The contributions were equal to the required contributions for each year.

**PARAGONAH TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 5. RISK MANAGEMENT**

Paragonah Town, Utah is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The Town has procured commercial insurance coverage and Workman's Compensation Insurance which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level.

**REQUIRED SUPPLEMENTARY INFORMATION**

**(Unaudited)**

**PARAGONAH TOWN, UTAH**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary fund balance, July 1	\$ 179,118	\$ 179,118	\$ 179,118	\$ -
Resources (inflows):				
Taxes	62,420	62,420	70,770	8,350
Interest earnings	1,280	2,380	4,649	2,269
Licenses and permits	2,390	2,390	6,194	3,804
Intergovernmental revenues	72,275	133,923	134,136	213
Charges for services	61,046	57,596	57,080	(516)
Miscellaneous revenues	1,100	2,050	4,660	2,610
Amounts available for appropriation	379,629	439,877	456,607	16,730
Charges to appropriations (outflows):				
General government	100,284	96,984	96,448	536
Highways & streets	36,000	37,900	35,667	2,233
Public Safety	41,875	103,437	98,194	5,243
Culture & recreation	4,791	4,791	2,603	2,188
Cemetery	25,500	26,586	26,515	71
Transfers Out	-	80,000	80,000	-
Total charges to appropriations	208,450	349,698	339,427	10,271
Budgetary fund balance, June 30	\$ 171,179	\$ 90,179	\$ 117,180	\$ 27,001

The notes to the financial statements are an integral part of this statement.

**PARAGONAH TOWN, UTAH**

**Impact Fees**

**Year Ended June 30, 2006**

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**Water Impact Fee Collections By Year:**

2001	\$ 1,500
2002	1,065
2003	550
2004	547
2005	1,589
2006	2,217
	<hr/>
<b>Balance</b>	<b><u>\$ 7,468</u></b>

Impact fees will be spent for well development and study. \$5,000 is scheduled to be disbursed by June 30, 2007

**COMBINING FINANCIAL STATEMENTS  
AND SCHEDULES**



**PARAGONAH TOWN, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

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	<b>Cemetery Perpetual Care Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>		
Cash & cash equivalents	\$ 70,164	\$ 70,164
		\$ -
Total assets	<u>\$ 70,164</u>	<u>\$ 70,164</u>
<b>Fund balances:</b>		
Reserved		
Unreserved, undesignated	\$ 70,164	\$ 70,164
Total fund balances	<u>70,164</u>	<u>70,164</u>
Total liabilities and fund balances	<u>\$ 70,164</u>	<u>\$ 70,164</u>

**PARAGONAH TOWN, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2006

	Cemetary Perpetual Care Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>		
Interest earnings	\$ -	\$ -
Charges for services	9,624	9,624
Total Revenues	<u>9,624</u>	<u>9,624</u>
<b>EXPENDITURES:</b>		
General government		
Total Expenditures		
Excess of Revenues over (under) Expenditures	<u>9,624</u>	<u>9,624</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Debt proceeds		
Operating transfers in		
Operating transfers out		
Sale of fixed assets		
Total Other Financing Sources (Uses)		
Excess of revenues and other sources over (under) expenditures and other uses	9,624	9,624
FUND BALANCES JULY 1	60,540	60,540
FUND BALANCES JUNE 30	<u>\$ 70,164</u>	<u>\$ 70,164</u>

## COMPLIANCE SECTION

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Town Council  
Paragonah Town  
Paragonah, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paragonah Town, Utah as of and for the year ended June 30, 2006, which collectively comprise Paragonah Town, Utah's basic financial statements and have issued our report thereon dated December 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Paragonah Town, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Paragonah Town, Utah in a separate letter dated December 11, 2006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Paragonah Town, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

Paragonah Town, Utah  
Page 2

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Paragonah Town, Utah in a separate letter dated December 11, 2006.

This report is intended solely for the information and use of the management of Paragonah Town, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
December 6, 2006

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## PARAGONAH TOWN, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2006

The Honorable Town Council  
Paragonah Town  
Paragonah, Utah

We have audited the general purpose financial statements of Paragonah Town, Utah, for the year ended June 30, 2006 and have issued our report thereon dated December 6, 2006. As part of our audit, we have audited Paragonah Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

### C Road Funds (Department of Transportation)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation  
Liquor Law Enforcement  
Other Compliance Requirements

B&C Roads  
Impact Fees

The management of Paragonah Town, Utah is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

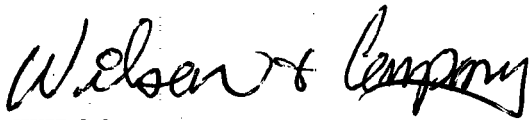
We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the Town's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Paragonah Town, Utah

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The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Paragonah Town, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah

December 6, 2006

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

December 11, 2006

Honorable Mayor and Town Council  
Paragonah Town  
Paragonah, Utah

We have examined the financial statements of Paragonah Town, Utah for the year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Paragonah Town, Utah is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Paragonah Town taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the Town's further attention.

## Impact Fees

We noted during our exam that the Town did not expend any impact fees during the year.

The Town must expend fees within the six year limit allowed by the law. We further suggest that if any eligible projects are constructed by the Town, that impact fees are spent towards that project first.



Water and Electric Funds

During our exam we noted that the Water Fund had a net operating loss.

The Town must take steps to eliminate this net operating loss for the future. Rates for all enterprise funds should be reviewed yearly.

Cash in checking

We noted during our exam that the Town maintained an average of nearly \$176,000 in checking with amounts reaching as high as \$240,000.

We suggest that the Town reduce the amount maintained in checking to a minimal amount and that cash be transferred to PTIF to maximize interest earnings. The Wells Fargo checking account is earning .15% annual interest while PTIF is presently earning over 5%.

Purchasing Policies

We noted in our exam that it has been several years since the Town revised its purchasing policies

We suggest that the Town consider a review of the present policy and update it as needed.

The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the Town's June 30, 2006, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the Town operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditor and should not be used for any other purpose.

Sincerely,



WILSON & COMPANY  
Certified Public Accountants  
Cedar City, Utah

# Paragonah Town

P.O. Box 600247  
Paragonah, Utah 84760  
(435) 477-8979

December 28, 2006

Jim Wilson, CPA  
Wilson & Company  
P.O. Box 1110  
Cedar City, Utah 84720

Dear Mr. Wilson:

The following statements are written in response to your management letter concerning Paragonah Town's financial statements for the year ended June 30, 2006, and your findings concerning the Town's internal accounting control procedures:

## Impact Fees

The impact fees will be expended during the 2007 fiscal year to help pay for an impact fee study.

## Water and Electric Funds

The Town raised its base water rate by \$5 in July 2006. We will continue to monitor the Water Fund to ensure that we do not have a net operating loss in the future.

## Cash in checking


Funds will be transferred from the town's checking account to a higher interest PTIF account. We will keep only a minimal amount in checking and will continue to monitor it so that anything over this amount is transferred to a PTIF account.

## Purchasing Policies

We will review the Town's Purchasing Policy and update it as needed.

Thank you for all of the time you and your staff have spent on our audit. We appreciate the information you provide to us on how we can improve our internal accounting control procedures. You and your staff are always a pleasure to work with.

Sincerely,

  
Constance Robinson, Mayor  
Town of Paragonah

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

December 11, 2006

Honorable Mayor and Town Council  
Paragonah Town  
Paragonah, Utah

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Paragonah Town, Utah

Page 2

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Sincerely,



WILSON & COMPANY  
Certified Public Accountants  
Cedar City, Utah